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1. The two kinds of external organizational environments are the general environment and the specific environment.

a. True

b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-2
NATIONAL STANDARDS: United States - Level V Synthesis
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

2. External environments are the forces and events outside a company that have the potential to influence or affect it.

a. True

b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-1
NATIONAL STANDARDS: United States - Level III Application
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

3. According to its rate of environmental change, an organization's environment can be either stable or dynamic, but not both.

a. True

b. False

ANSWER: False
RATIONALE: According to punctuated equilibrium theory, companies often experience both stable and dynamic external environments.
POINTS: 1
DIFFICULTY: Difficult
REFERENCES: 2-1a
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

4. Environmental complexity refers to the degree of change in the external factors that affect organizations.

a. True

b. False

ANSWER: False
RATIONALE: Environmental complexity is the number of external factors in the environment that affect organizations. Environmental change refers to the rate at which a company's general and specific environments change.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-1b
NATIONAL STANDARDS: United States - Level I Knowledge

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TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

5. Resource scarcity is the degree to which an organization's external environment has an abundance or lack of critical organizational resources.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-1c
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

6. Under conditions in which the rate of both environmental change and complexity go up while environmental resources become scarce, environmental uncertainty can be expected to increase.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-1d
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

7. The general segment of a company’s external environment consists of the economy and the technological, socio-cultural, and political/legal trends that indirectly affect all organizations.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-2
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

8. The general segment of a company’s external environment is unique to each firm's industry and directly affects the way it conducts day-to-day business.

a. True
b. False

ANSWER: False
RATIONALE: This is the definition of the specific environment. The general environment consists of the economy and the technological, socio-cultural, and political/legal trends that indirectly affect all organizations.

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POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-2
2-3
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

9. Changes in any sector of the general environment eventually affect most organizations.
a. True
b. False
ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-2
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

10. The specific segment of an organization's external environment is unique to its region of the country.
a. True
b. False
ANSWER: False
RATIONALE: The specific environment is unique to the firm's industry, not region of the country.
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-3
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

11. Business confidence indices are a viable alternative to economic statistics for management decision making.
a. True
b. False
ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-2a
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

12. Managers often prefer economic statistics to business confidence indices as tools for managerial decision making because of their inherently greater accuracy.
a. True
b. False

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ANSWER: False

RATIONALE: Managers often prefer business confidence indices to economic statistics because they know that the level of confidence reported by real managers affects their business decisions. Unfortunately, the economic statistics that managers rely on when making these decisions are notoriously poor predictors of *future* economic activity.

POINTS: 1

DIFFICULTY: Moderate

REFERENCES: 2-2a

NATIONAL STANDARDS: United States - Level I Knowledge

TOPICS: AACSB Analytic

KEYWORDS: Environmental Influence | Strategy

13. The best way to manage legal responsibilities is to retain a large staff of legal specialists to defend the company against any charges.

a. True

b. False

ANSWER: False

RATIONALE: The best way to manage legal responsibilities is to educate managers and employees about laws and regulations and potential lawsuits that could affect a business.

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 2-2d

NATIONAL STANDARDS: United States - Level I Knowledge

TOPICS: AACSB Analytic

KEYWORDS: Environmental Influence | Legal Responsibilities

14. In contrast to the general segment of the external environment that DIRECTLY influences an organization, changes in the specific segment of an organization's external environment INDIRECTLY affect the way a company conducts its business.

a. True

b. False

ANSWER: False

RATIONALE: General environments INDIRECTLY influence organizations, while changes in an organization's specific environment DIRECTLY affects the way a company conducts its business.

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 2-3

NATIONAL STANDARDS: United States - Level II Comprehension

TOPICS: AACSB Analytic

KEYWORDS: Environmental Influence | Strategy

15. Proactive customer monitoring is defined as identifying and addressing customer trends and problems after they occur.

a. True

b. False

ANSWER: False

RATIONALE: This defines reactive customer monitoring.

POINTS: 1

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DIFFICULTY: Easy
REFERENCES: 2-3a
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

16. Managers often do a poor job of identifying potential competitors.
a. True
b. False
ANSWER: True
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-3b
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

17. Buyer dependence is the degree to which a company relies on a supplier because of the importance of the supplier's product to the company and the difficulty of finding other sources of that product.
a. True
b. False
ANSWER: False
RATIONALE: This is the definition of supplier dependence.
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-3c
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

18. A decrease in either buyer dependence or supplier dependence can lead to opportunistic behavior.
a. True
b. False
ANSWER: False
RATIONALE: An increase in either buyer dependence or supplier dependence can lead to opportunistic behavior.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-3c
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
AACSB Ethics
KEYWORDS: Environmental Influence | Ethical Responsibilities | Strategy

19. Advocacy groups are typically composed of concerned citizens who have a strong feeling about a common issue even though the members' viewpoints differ significantly.
a. True

b. False

ANSWER: False
RATIONALE: The members of advocacy groups generally share the same point of view on a particular issue.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-3e
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Ethics
AACSB Analytic
KEYWORDS: Environmental Influence | Ethical Responsibilities

20. The three techniques used by advocacy groups to influence companies are public communications, media advocacy, and product boycotts.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-3e
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Ethics
AACSB Communication
KEYWORDS: Environmental Influence | Ethical Responsibilities

21. Advocacy groups cannot directly regulate organization practices.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-3e
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
AACSB Ethics
KEYWORDS: Environmental Influence | Ethical Responsibilities

22. Because external environments can be dynamic, confusing, and complex, managers use a three-step process to make sense of the changes in their external environments. Those steps are (1) environmental scanning, (2) interpreting environmental factors, and (3) acting on threats and opportunities.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-4
NATIONAL STANDARDS: United States - Level I Knowledge

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TOPICS: AACSB Ethics
KEYWORDS: Environmental Influence | Strategy

23. Managers can make sense of their changing external environments by completing all three of the following steps: environmental scanning, interpreting environmental factors, and acting on threats and opportunities.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-4
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

24. Organizational culture refers to the set of key values, beliefs, and attitudes shared by organizational members.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-5a
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Group Dynamics | HRM | Leadership Principles

25. A primary source of organizational culture is the company founder.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-5a
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Group Dynamics | HRM | Leadership Principles

26. After the company founders are gone, stories and heroes can help to sustain the founder's values, attitudes, and beliefs in the organizational culture.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-5a
NATIONAL STANDARDS: United States - Level I Knowledge

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TOPICS: AACSB Analytic
AACSB Communication

KEYWORDS: Group Dynamics | HRM | Leadership Principles

27. Organizational heroes can be used to make sense of organizational events and changes.

a. True

b. False

ANSWER: False

RATIONALE: Organizational stories are used to make sense of organizational events and changes and to emphasize culturally consistent assumptions, decisions, and actions. While organizational heroes may be included in such stories, it is the story that provides the sense-making function.

POINTS: 1

DIFFICULTY: Difficult

REFERENCES: 2-5a

NATIONAL STANDARDS: United States - Level I Knowledge

TOPICS: AACSB Analytic
AACSB Communication

KEYWORDS: Group Dynamics | HRM | Leadership Principles

28. Extensive research demonstrates clearly that organizational culture is strongly related to organizational success.

a. True

b. False

ANSWER: False

RATIONALE: There is only preliminary research showing that organizational culture is related to organizational success.

POINTS: 1

DIFFICULTY: Difficult

REFERENCES: 2-5b

NATIONAL STANDARDS: United States - Level I Knowledge

TOPICS: AACSB Analytic

KEYWORDS: Group Dynamics | HRM | Leadership Principles

29. Successful organizational cultures seem to be based solely upon consistency (i.e., "strength" of the organizational culture).

a. True

b. False

ANSWER: False

RATIONALE: Successful organizational cultures seem to be based upon adaptability, involvement, a clear mission, and consistency.

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 2-5b

NATIONAL STANDARDS: United States - Level I Knowledge

TOPICS: AACSB Analytic

KEYWORDS: Group Dynamics | HRM | Leadership Principles

30. The term behavioral multiplication refers to the process of having managers and employees perform new behaviors

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that are central to and symbolic of the new organizational culture that a company wants to create.

a. True

b. False

ANSWER: False

RATIONALE: This process is called behavioral addition.

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 2-5c

NATIONAL STANDARDS: United States - Level I Knowledge

TOPICS: AACSB Analytic

KEYWORDS: Group Dynamics | HRM | Leadership Principles

31. When used together, the combination of behavioral substitution, behavioral addition, and changing visible artifacts is extremely likely to achieve the desired changes in organizational culture.

a. True

b. False

ANSWER: False

RATIONALE: Corporate cultures are very difficult to change. Consequently, there is no guarantee that these techniques will work.

POINTS: 1

DIFFICULTY: Difficult

REFERENCES: 2-5c

NATIONAL STANDARDS: United States - Level I Knowledge

TOPICS: AACSB Analytic

KEYWORDS: Group Dynamics | HRM | Leadership Principles

32. What are the two types of external organizational environments?

a. general and the specific

b. public and private

c. global and the national

d. organizational and the interpersonal

e. market-specific and the product-specific

ANSWER: a

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 2-2
2-3

NATIONAL STANDARDS: United States - Level I Knowledge

TOPICS: AACSB Analytic

KEYWORDS: Environmental Influence

33. In terms of external organizational environments, the ____ environment affects all organizations while the ____ environment is unique to each company.

a. global; national

b. customer-driven; production-driven

c. general; specific

d. informal; formal

e. specific; general

ANSWER: c
RATIONALE: Exhibit 2.3
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-2
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

34. All events outside a company that have the potential to influence or affect it occur in the ____ environment.

a. specific
b. external
c. formal
d. potential
e. national

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-1
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

35. Which of the following companies is most likely operating in a dynamic environment?

a. a video game manufacturer
b. a bakery
c. a brewery, winery, or distillery in the liquor industry
d. a manufacturer of pet food
e. a cereal manufacturer

ANSWER: a
RATIONALE: A dynamic environment is one in which the rate of change is fast. A video game maker faces short product life cycles and rapid changes in technology.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-1
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

36. According to the ____theory, companies go through long, simple periods of environmental stability, followed by short, complex periods of dynamic, fundamental environmental change, finishing with a return to environmental stability.

a. environmental change theory
b. theory of environmental dynamics
c. punctuated equilibrium theory
d. theory of resource scarcity

e. environmental cycle

ANSWER: c
RATIONALE: This is the definition of punctuated equilibrium theory.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-1a
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

37. Over the past 20 years, which of the following is an industry that has experienced both the stable and dynamic environments predicted by punctuated equilibrium theory?

a. the airline industry
b. the baking industry
c. the video game industry
d. the breakfast cereal industry
e. the landscaping industry

ANSWER: a
RATIONALE: The U.S. airline industry is used in the text as an example of punctuated equilibrium, or a long, simple period of stability followed by short periods of dynamic, fundamental change.
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-1a
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

38. Suppose that a Mexican car manufacturer wants to export cars to Guatemala. The fact that the distribution of income within Guatemala is highly unequal and that about 75 percent of the population is below the poverty line would be a(n) ____ component in the manufacturer's general environment.

a. technological
b. socio-cultural
c. economic
d. political/legal
e. demographic

ANSWER: c
POINTS: 1
DIFFICULTY: Difficult
REFERENCES: 2-2a
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

39. A company facing a simple environment would ____.

a. most likely be in the first stage of the environmental cycle
b. exhibit proof of the punctuated equilibrium theory
c. be unable to succeed due to lack of innovation

d. be influenced by only factors in its specific environment

e. have few external factors in the environment that affect it

ANSWER: e
RATIONALE: Definition of a simple environment.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-1b
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

40. In terms of environmental complexity, ____ environments have few environmental factors, whereas ____ environments have many environmental factors.

a. non-competitive; competitive

b. simple; complex

c. stable; dynamic

d. scarce; abundant

e. market-oriented; product-oriented

ANSWER: b
RATIONALE: Definitions of simple and complex environments.
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-1b
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

41. ____ is the degree to which an organization's external environment has an abundance or scarcity of critical organizational resources.

a. Environmental complexity

b. Environmental capacity

c. Differentiation opportunity

d. Environmental dynamism

e. Resource scarcity

ANSWER: e
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-1c
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

42. In a very strong economy, where the demand for qualified job applicants exceeds the supply, the environmental characteristic of ____ is likely to be particularly salient for many companies.

a. environmental complexity

b. environmental change

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c. resource scarcity
d. environmental uncertainty
e. environmental risk

ANSWER: c
RATIONALE: Resource scarcity is a lack of critical organizational resources (in this case, human resources).
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-1c
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

43. Environmental ____ is affected by environmental complexity, change, and resources.
a. uncertainty
b. differentiation
c. difficulty
d. essence
e. entrepreneurship

ANSWER: a
RATIONALE: Environmental uncertainty is defined as the extent to which managers can understand or predict which environmental changes will affect their businesses. Complexity and change make it more difficult for managers to achieve such understanding or make sound forecasts.
POINTS: 1
DIFFICULTY: Difficult
REFERENCES: 2-1d
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

44. Legislation concerning the disposal of biological wastes, the development of more sophisticated imaging machines, and longer patient life spans would all be part of the ____ for a public hospital.
a. internal environment
b. specific environment
c. socio-cultural environment
d. general environment
e. environmental differentiation

ANSWER: d
RATIONALE: These are changes that indirectly affect *all* organizations.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-2
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

45. The ____ consists of the economy and the technological, socio-cultural, and political/legal trends that indirectly affect

all organizations.

a. economic environment
b. specific environment
c. general environment
d. indirect environment
e. direct environment

ANSWER: c
RATIONALE: This is the definition of general environment.
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-2
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

46. Which of the following is a component of the specific environment that would directly influence a restaurant's day-to-day operation?

a. its regular customers
b. GNP
c. a trend toward eating less fat
d. more rigid enforcement of OSHA laws
e. all of these

ANSWER: a
RATIONALE: Customers are a major component of a firm's specific environment. All of the other items would exert an indirect influence as part of the firm's general environment.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-3a
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

47. Changes in any sector of the general environment ____.

a. will typically not impact most organizations
b. tend to slow down how quickly an organization moves through the environmental cycle
c. inhibit the innovation process
d. influence customers first and then suppliers
e. will eventually affect most organizations.

ANSWER: e
RATIONALE: It is a fundamental attribute of general environment factors that they affect all organizations over time.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-2
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

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48. Which of the following is a component of Coca-Cola's specific environment and will directly influence how it does business?

a. Pepsi-Cola
b. laws concerning sanitation
c. inflation
d. the increased popularity of energy drinks
e. the development of vending machines that accept debit cards

ANSWER: a
RATIONALE: Pepsi is a direct competitor and thus a component of Coke's specific environment.
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-3b
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

49. Which of the following is a component of a book publisher's general environment and will indirectly influence how it does business?

a. other book publishing companies
b. pornography laws
c. an advocacy group supporting free books for children
d. a trend toward less leisure time
e. paper and ink suppliers

ANSWER: d
RATIONALE: Leisure time trends will affect other companies such as boat manufacturers. The other elements are part of the publisher's specific environment.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-2c
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

50. Which of the following is the LEAST aggressive approach likely to be used by an advocacy group?

a. public communications
b. media advocacy
c. product boycotts
d. class action lawsuits
e. picketing

ANSWER: a
POINTS: 1
DIFFICULTY: Difficult
REFERENCES: 2-3e
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic

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KEYWORDS: Environmental Influence

51. Consider a hamburger fast-food chain that began operations prior to World War II. In which of the following would have been part of its specific environment after the start of World War II?

a. other fast-food restaurants that sell hamburgers
b. its customers who eat burgers at least once a week
c. the meat packing company that supplied its beef
d. government-mandated beef rationing as a result of World War II
e. all of these

ANSWER: d
RATIONALE: Competitors, customers, and suppliers are part of a company's specific environment at any time. Rationing, an example of industry-specific regulation, is not a typically part of a company's specific environment but occurs only under certain circumstances, in this case the need to divert resources to the war effort.
POINTS: 1
DIFFICULTY: Difficult
REFERENCES: 2-3
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

52. Managers often prefer to use business confidence indices ____.

a. to identify socio-cultural trends
b. as predictors of future economic activity when making business decisions
c. which are based on intuition and experience
d. to encourage customers to make long-term buying decisions
e. to improve consumer confidence forecasts

ANSWER: b
RATIONALE: Economic statistics tend to be poor predictors of future business activity. Confidence indexes measure manager sentiment, which may yield a stronger prediction of near-term economic activity.
POINTS: 1
DIFFICULTY: Difficult
REFERENCES: 2-2a
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

53. Technology is the ____ used to transform inputs (raw materials, information, etc.) into outputs (products or services).

a. knowledge, tools, and techniques
b. knowledge and machinery
c. plans and machinery
d. tools and techniques
e. strategy and tactics

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate

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REFERENCES: 2-2b
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Technology
AACSB Analytic
KEYWORDS: Environmental Influence | Information Technologies

54. More premature babies than ever before are surviving due to improvements in medical knowledge and care. This improved survival rate can be attributed to the ____ component of hospitals.

a. technological
b. socio-cultural
c. economic
d. political/legal
e. demographic

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-2b
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Technology
AACSB Analytic
KEYWORDS: Environmental Influence

55. Tourism was not the only travel-associated industry that was visibly hurt by what happened on 9/11. People decided to vacation at home and sales of luggage and similar travel gear decreased significantly. Sales of home swimming pools increased. This decision to stay at home reflects a change in attitudes toward the perceived safety of long-distance traveling. This is an example of a change in the ____ component of the general environment.

a. technological
b. socio-cultural
c. economic
d. competitive
e. geographic

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-2c
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

56. Fear of a lawsuit prevents many employers from giving totally honest recommendations to former employees. This reflects a change in the ____ component of the general environment.

a. technological
b. social
c. economic
d. political/legal
e. demographic

ANSWER: d

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POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-2d
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

57. The manager of a company that produces a soy-based sausage wants to conduct a competitive analysis. During this competitive analysis, he should look at ____.

a. companies that produce other brands of pork-based sausage
b. Morningstar, a company that has a complete line of soy-based products
c. companies that produce other forms of breakfast meats like bacon
d. individuals who make their own sausage
e. The manager should consider all of the listed factors.

ANSWER: e
RATIONALE: Competitive analysis is a process for monitoring the competition that involves identifying competitors, anticipating their moves, and determining their strengths and weaknesses. To understand competitive behavior, it is important that this company identify all of its likely competitors.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-3b
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

58. A fast-food restaurant chain is famous for its small, square hamburgers. Which of the following would be a component of its sociocultural environment?

a. a period of business prosperity
b. the development of fully automated drive-through windows
c. a price war with Burger King and McDonald's
d. the fact most consumers prefer eating out rather than at home
e. regulations passed by the Food & Drug Administration

ANSWER: d
RATIONALE: Consumer preferences are an example of a trend in general behavior, an aspect of the socio-cultural environment.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-2c
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

59. Which of the following is NOT a dimension of the political/legal component of the general environment that governs and regulates business behavior?

a. legislation
b. competitive products
c. court decisions

d. regulation

e. customer-initiated lawsuits

ANSWER: b

RATIONALE: The political/legal component includes legislation, regulation, and court decisions that govern and regulate business behavior.

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 2-2d

NATIONAL STANDARDS: United States - Level II Comprehension

TOPICS: AACSB Analytic

KEYWORDS: Environmental Influence | Legal Responsibilities

60. A fast-food restaurant chain is famous for its small, square hamburgers. Which of the following would be a component of its general environment?

a. meat processing companies that provide its ground beef

b. consumers who will drive miles out of their way to eat a burger

c. boycotts by the Chicago organization of People for the Ethical Treatment of Animals (PETA)

d. local zoning laws that designate the appropriate distance from the street for a restaurant to be located

e. inflation

ANSWER: e

RATIONALE: Inflation affects all organizations. The other factors exert industry-specific influence on the restaurant.

POINTS: 1

DIFFICULTY: Difficult

REFERENCES: 2-2a

NATIONAL STANDARDS: United States - Level II Comprehension

TOPICS: AACSB Analytic

KEYWORDS: Environmental Influence | Strategy

61. Which of the following is NOT a potential legal risk associated with traditional managerial decisions like recruiting, hiring, and firing employees?

a. negligent supervision

b. invasion of privacy

c. product liability

d. defamation

e. a charge of emotional distress

ANSWER: c

POINTS: 1

DIFFICULTY: Moderate

REFERENCES: 2-2d

NATIONAL STANDARDS: United States - Level II Comprehension

TOPICS: AACSB Analytic
AACSB Ethics

KEYWORDS: Environmental Influence | HRM | Legal Responsibilities

62. Two homebuilders are building homes in nearby subdivisions. One is offering 2,500-square-foot homes with two-acre yards. The other is offering a similarly sized house with quarter-acre yards. The builder offering the smaller lots cannot

keep up with demand. The builder offering the larger lots has several unsold houses. The builder with the larger lots could use ____ to determine why his homes are not selling.

a. proactive customer monitoring
b. consumer confidence forecasts
c. demographic information
d. reactive customer monitoring
e. a competitive location study

ANSWER: d
RATIONALE: Reactive customer monitoring is defined as identifying and addressing customer trends and problems after they occur.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-3a
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

63. ____ is used to refer to a company's practice of identifying and addressing customer trends and problems after they occur.

a. Consumer confidence forecasts
b. Competitive analysis
c. Reactive customer monitoring
d. Proactive customer monitoring
e. Continuous data mining

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-3a
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

64. Two homebuilders are building homes in nearby subdivisions. One is offering 2,500-square-foot homes with two-acre yards. The other is offering a similar size of house with quarter-acre yards. The builder offering the smaller lots cannot keep up with demand. The builder offering the larger lots has several unsold houses. The builder with the smaller lots most likely used ____ to determine what homebuyers desired.

a. reactive customer monitoring
b. proactive customer monitoring
c. competitive analysis
d. environmental munificence
e. consumer confidence forecasts

ANSWER: b
RATIONALE: Proactive customer monitoring is defined as identifying and addressing customer needs, trends and issues before they occur.
POINTS: 1
DIFFICULTY: Difficult
REFERENCES: 2-3a

NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

65. ____ involves deciding who your competitors are, anticipating competitors' moves, and determining competitors' strengths and weaknesses.

a. Competitive mapping
b. A market audit
c. A SWOT analysis
d. A proactive strategy
e. A competitive analysis

ANSWER: e
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-3b
NATIONAL STANDARDS: United States - Level III Application
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

66. Companies doing a competitive analysis typically err by ____.

a. doing an incomplete job of identifying competitors
b. overestimating their competition
c. ignoring proactive monitoring
d. relying on competitive intelligence
e. doing all of these

ANSWER: a
RATIONALE: Managers tend to focus on two or three well-known competitors and may overlook less visible/familiar competitors.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-3b
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

67. Typically the most important factor in the relationship between companies and their suppliers is ____.

a. how dependent they are on each other
b. how much they know about each other
c. how compatible their organizational cultures are
d. the type of product being manufactured
e. all of these

ANSWER: a
RATIONALE: A high degree of buyer or seller dependence can lead to opportunistic behavior by one party at the expense of the other.
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-3c

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NATIONAL STANDARDS: United States - Level III Application
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

68. An increase in ____ can lead to opportunistic behavior in which one party benefits at the expense of the other.
a. managerial commitment
b. buyer dependence
c. industry regulation
d. advocacy group activities
e. consumer confidence indicators
ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-3c
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

69. The creation of Ingram Distribution allows booksellers to streamline the ordering and return procedures of their books. Ingram made all the books bookstore owners wanted available in one centralized warehouse. Many new bookstore owners would be unwilling and/or unable to return to the method of ordering books from the individual publishers. This is an example of the creation of ____.
a. high buyer dependence on a supplier
b. pure competition
c. transactional freedom
d. high supplier dependence on a buyer
e. none of these
ANSWER: a
RATIONALE: A high degree of buyer or seller dependence can lead to opportunistic behavior by one party at the expense of the other.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-3c
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

70. Small manufacturers are successful often because Wal-Mart agrees to carry their products. If Wal-Mart does not like a price increase, it often will refuse to do business with the manufacturer. At this point, many small manufacturers will offer price reductions because they fear failure if they lose the Wal-Mart account. The relationship between these small manufacturers and Wal-Mart can be described as ____.
a. buyer dependent
b. relationship-based
c. transformational
d. supplier dependent
e. none of these
ANSWER: a

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RATIONALE: A high degree of buyer or seller dependence can lead to opportunistic behavior by one party at the expense of the other.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-3c
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

71. A high degree of buyer or seller dependence can lead to ____ in which one party benefits at the expense of the other.
a. relationship behavior
b. transactional behavior
c. behavioral monogamy
d. relational monopoly
e. opportunistic behavior
ANSWER: e
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-3c
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

72. In setting up his new office, an attorney wanted furnishings that were elegant and that would make him look successful. He wanted thick, plush carpeting in his office, but federal regulations state that his office must be wheelchair accessible because it is a public area. Wheelchairs do not maneuver well in thick carpeting. The building inspector had him remove the expensive carpeting and replace it with a carpet that did allow for wheelchair maneuverability. This is an example of how the ____ component of a company's specific environment influences it.
a. socio-cultural
b. economic
c. political/legal
d. supplier
e. industry regulation
ANSWER: e
RATIONALE: Industry regulation includes rules that govern business practices and procedures, including accessibility for disabled workers.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-3d
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
AACSB Diversity
KEYWORDS: Environmental Influence | Ethical Responsibilities | Legal Responsibilities

73. An emphasis on ____ is likely to decrease opportunistic behavior but will never completely eliminate it.
a. buyer dependence
b. supplier dependence

c. industry regulation

d. relationship behavior

e. competitive advocacy

ANSWER: d

RATIONALE: A high degree of buyer or seller dependence can lead to opportunistic behavior by one party at the expense of the other. Relationship behavior focuses on establishing long-term, mutually beneficial relationships.

POINTS: 1

DIFFICULTY: Difficult

REFERENCES: 2-3c

NATIONAL STANDARDS: United States - Level II Comprehension

TOPICS: AACSB Analytic

KEYWORDS: Environmental Influence | Ethical Responsibilities

74. A fast-food restaurant chain is famous for its small, square hamburgers. Which of the following would be an industry regulation component of its specific environment?

a. an increase in the prime lending rate

b. local health inspectors

c. class-action suits against all fast-food restaurants

d. inflation

e. all of these

ANSWER: b

RATIONALE: Industry regulations and rules govern the business practices and procedures of specific industries, businesses, and professions. The restaurant industry is regulated by local health inspectors.

POINTS: 1

DIFFICULTY: Moderate

REFERENCES: 2-3d

NATIONAL STANDARDS: United States - Level I Knowledge

TOPICS: AACSB Analytic

KEYWORDS: Environmental Influence | Strategy

75. ____ is a tactic in which an advocacy group actively tries to convince consumers not to purchase a company's product or service.

a. Lobbying

b. Public communications

c. Media advocacy

d. Product boycott

e. Market denigration

ANSWER: d

RATIONALE: Media advocacy is defined as a tactic that involves framing issues as public issues; exposing questionable, exploitative, or unethical practices; and forcing media coverage by buying media time or creating controversy that is likely to receive extensive news coverage. Lobbying, public communications, and market denigration are not listed in the book as advocacy tactics.

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 2-3e

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NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Communication
KEYWORDS: Environmental Influence

76. Advocacy groups use a variety of tactics to convince businesses to comply with the group's stand on issues. Which of the following advocacy group tactics would be most likely to cause a business to fail?

a. media advocacy
b. product boycotts
c. public communications
d. requiring a business license
e. lobbying

ANSWER: b
RATIONALE: Product boycotts are the most aggressive public advocacy tactic, as they may directly impact a company's potential to profit and grow.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-3e
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Communication
AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

77. The first step managers use to make sense of their changing environments is ____.

a. environmental scanning
b. perceptual re-engagement
c. modifying budgets
d. downsizing
e. benchmarking

ANSWER: a
RATIONALE: Environmental scanning precedes action steps such as downsizing, modifying budgets, or benchmarking. Perceptual re-engagement is a red herring.
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-4a
NATIONAL STANDARDS: United States - Level III Application
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Leadership Principles | Strategy

78. Which of the following is one of the steps in the process that managers use to make sense of their changing environments?

a. perceptual re-engagement
b. environmental laddering
c. acting on threats and opportunities
d. creating strategic windows
e. behavioristic relations

ANSWER: c
POINTS: 1

DIFFICULTY: Difficult
REFERENCES: 2-4
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Leadership Principles | Strategy

79. Kodak makes digital cameras and paper for prints. Kodak would view the ubiquity of digital cameras as a(n) ____ in its external environment if it considered how digital cameras affect sales of cameras that use film. On the other hand, Kodak would view the growing popularity of digital cameras as a(n) ____ in its external environment if it considered the amount of Kodak processing paper used in printing pictures made by digital cameras.

a. strength; weakness
b. risk; certainty
c. opportunity; threat
d. certainty; risk
e. threat; opportunity

ANSWER: e
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-4b
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

80. The term ____ refers to the events and trends inside an organization that affect management, employees, and the organizational culture.

a. managerial environment
b. internal environment
c. industry environment
d. general environment
e. organizational structure

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-5
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | HRM

81. The ____ is the set of key values, beliefs, and attitudes shared by members of an organization.

a. industry code of ethics
b. internal environment
c. organizational culture
d. organizational strategy
e. organizational vision

ANSWER: c
RATIONALE: This is the definition of organizational culture.

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POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-5
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

82. When Susan started work at Henderson Textile Co., she was amazed at its employees who would take 30-minute restroom breaks, leave for the day at 2 p.m., and generally belittle the company's management. Such employees' actions most likely developed over time as a result of a faulty ____.

a. general environment
b. benchmark
c. response to an opportunity
d. organizational culture
e. formalization strategy

ANSWER: d
RATIONALE: The organizational culture is the set of key values, beliefs, and attitudes shared by members of an organization.
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-5a
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

83. ____ is a primary source of organizational culture.

a. The company's founder
b. The organization's competitive strategy
c. The industry in which the organization operates
d. Suppliers
e. Customers

ANSWER: a
RATIONALE: Company founders (such as Sam Walton of Wal-Mart) exert a primary influence on the development of an organization’s culture.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-5a
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | HRM

84. After an organization's founders are gone, the organization can use ____ to sustain its organizational culture.

a. industry associations
b. organizational heroes
c. organizational structure
d. organizational maps
e. reciprocal formalization

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ANSWER: b
RATIONALE: Organizational *stories* and *heroes* are two means of perpetuating an organizational culture after a founder retires, dies, or chooses to leave the organization.
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-5a
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | HRM

85. According to a book by a Harvard Business School professor, some organizational cultures simply cannot meet the challenges posed by innovation and must respond to threats from new technologies by building outside ventures. Digital Equipment is described as having one of those organizational cultures. The company squandered the opportunities presented by the PC revolution even though it was well equipped to build cheap PCs. The company did not have ____.

a. adaptability
b. synergy
c. a formula for success laddering
d. knowledge management
e. comprehension

ANSWER: a
RATIONALE: Adaptability is the ability to notice and respond to changes in organizational environment. Digital Equipment failed to recognize the shift from mainframes to PCs.
POINTS: 1
DIFFICULTY: Difficult
REFERENCES: 2-5b
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | HRM

86. Which of the following is a characteristic of successful organizational cultures?

a. adaptability
b. consistency
c. involvement
d. a clear mission
e. all of these

ANSWER: e
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-5b
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | HRM

87. The Edmonton Oilers ice hockey team develops a sense of history for its current players by raising banners showing its success - five championships - and the retired numbers of great players from the past in its stadium and locker room. What tactics for maintaining organizational culture are the Edmonton Oilers using?

a. organizational complexity and consistency

b. organizational benchmarking
c. cultural laddering
d. organizational stories and organizational heroes
e. behavioral addition and behavioral substitution

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-5a
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | HRM

88. One of the difficulties encountered in recent mergers has been the inability of employees in the two existing organizational cultures to operate harmoniously. In other words, merging organizational cultures often lack the ____ that would increase the likelihood of a merger's success.

a. responsiveness
b. adaptability
c. involvement
d. consistency
e. validity

ANSWER: b
RATIONALE: Adaptability is the ability to notice and respond to changes in the environment. Merging changes the internal environment of the merged organizations.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-5b
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | HRM

89. One of the problems with many of the dot-com companies that failed in the mid-1990s was a lower and middle management adherence to innovation and an expectation that work would be fun while top management envisioned the company being profitable and the elimination of unnecessary expenses. These companies lacked ____ in their organizational cultures.

a. empathy
b. formalization
c. consistency
d. broad spans of management
e. responsiveness

ANSWER: c
RATIONALE: Consistency is defined as actively defining and teaching the organizational values, beliefs and attitudes. In this description, dot-com companies allowed two different (and often conflicting) sub-cultures to emerge naturally.
POINTS: 1
DIFFICULTY: Difficult
REFERENCES: 2-5b
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic

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KEYWORDS: Environmental Influence | HRM

90. Organizations use behavioral addition, behavioral substitution, and ____ to change their organizational culture.

a. media advocacy
b. visible artifacts
c. psychological counseling
d. affective stores
e. incremental valences

ANSWER: b
RATIONALE: Visible artifacts are signs of an organization's culture (e.g., company dress code). Changes in artifacts may be made in order to support the change process.
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-5c
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | HRM

91. ____ is the process of having managers and employees perform new behaviors that are central to and symbolic of the new organizational culture a company wants to create.

a. Relationship transformation
b. Behavioral substitution
c. Partnering
d. Attitudinal modification
e. Behavioral addition

ANSWER: e
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-5c
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: HRM | Individual Dynamics | Motivation Concepts

92. When using ____techniques to change organizational culture, the key to success is to choose behaviors that are central to and symbolic of the old culture that is changing and the new culture you want to create.

a. attitudinal motivation and conditioned learning
b. behavioral substitution and behavioral addition
c. conditioned and classical learning
d. negative and positive reinforcements
e. organizational stories and heroes

ANSWER: b
RATIONALE: Behavioral substitution is replacing old behaviors with new behaviors in support of the change effort. Behavioral addition is adding new behaviors that support the change.
POINTS: 1
DIFFICULTY: Difficult
REFERENCES: 2-5c
NATIONAL STANDARDS: United States - Level II Comprehension

TOPICS: AACSB Analytic
KEYWORDS: HRM | Individual Dynamics | Motivation Concepts

93. Which of the following approaches will guarantee the successful change of an organizational culture?
a. employee munificence
b. perceptual substitution
c. the recognition of new organizational heroes
d. new organizational stories
e. None of the choices can guarantee successful organizational change.

ANSWER: e
RATIONALE: Organizational cultures are very difficult to change, and no intervention *guarantees* success.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-5c
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: HRM | Leadership Principles

94. Managers can use behavioral addition and behavioral substitution to ____.
a. create benchmarks
b. assess the threats and opportunities in the internal environment
c. develop new products
d. locate new markets for existing products
e. modify corporate culture

ANSWER: e
RATIONALE: Behavioral addition and behavioral substitution are types of behavioral interventions commonly used in organizational change efforts.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-5c
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: HRM | Leadership Principles | Motivation Concepts

95. In order to change an organizational culture, top management can persuade other managers and employees to perform a new behavior in place of an older one. This technique is called ____.
a. behavioral iteration
b. behavioral substitution
c. behavioral subtraction
d. organizational acculturation
e. replacement behavior

ANSWER: b
RATIONALE: Behavioral substitution is the process of having managers and employees perform new behaviors central to the new organizational culture in place of those behaviors that were central to the old organizational culture.
POINTS: 1
DIFFICULTY: Easy

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REFERENCES: 2-5c
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: HRM | Individual Dynamics | Leadership Principles

96. When Samsonite purchased American Tourister, one of the first things the new management did was to eliminate the American Tourister Gorilla mascot (which had appeared in all American Tourister ads for years and which represented the quality construction of American Tourister luggage). The gorilla had been a symbol of quality and commitment for American Tourister employees. The executive order to remove the gorilla posters from the walls of offices and factories was one of the means Samsonite used to change the organizational culture at American Tourister. The gorilla posters were an example of ____.

a. visible artifacts
b. iconic representations
c. organizational metaphors
d. organizational allegories
e. imbued technology

ANSWER: a
RATIONALE: Visible artifacts are signs of an organization's culture.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-5c
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Group Dynamics | HRM

97. A mace is commonly used at a university or college convocation ceremony. The mace was originally a weapon, then became the symbol of government, and now has become the symbol of authority of the institution to grant diplomas or degrees. In terms of organizational culture, the mace is an example of a(n) ____.

a. visible artifact
b. iconic representation
c. organizational metaphor
d. organizational allegory
e. imbued legend

ANSWER: a
RATIONALE: Visible artifacts are signs of an organization's culture.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-5c
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Group Dynamics | HRM

98. Which of the following would be an example of a visible artifact for an organization that is merging with a large international firm?

a. personal parking spaces for all salespeople
b. a private company dining room
c. traditional offices

d. end-of-year bonuses

e. all of these

ANSWER: e

RATIONALE: Visible artifacts are signs of an organization's culture.

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 2-5c

NATIONAL STANDARDS: United States - Level II Comprehension

TOPICS: AACSB Analytic

KEYWORDS: Group Dynamics | HRM

99. Which of the following statements about corporate cultures is true?

a. Corporate cultures are dynamic creations that respond positively to change.

b. Corporate culture are unaffected by changes in perks, office layouts, or work relationships.

c. Corporate cultures are very difficult to change.

d. Any manager who wants to modify a corporate culture must follow the cultural change plan, which begins with employee input and ends with behavioral addition and/or substitution.

e. Corporate culture change is significantly easier with behavioral addition than with behavioral subtraction.

ANSWER: c

RATIONALE: Corporate cultures are dynamic, composed of both visible artifacts and behavioral routines, and complex. Therefore, they resist simple rule-of-thumb interventions and are notoriously difficult to change.

POINTS: 1

DIFFICULTY: Difficult

REFERENCES: 2-5c

NATIONAL STANDARDS: United States - Level II Comprehension

TOPICS: AACSB Analytic

KEYWORDS: Group Dynamics | HRM | Leadership Principles

100. Milsand Corp. used office cubicles for its employees. Employees were not allowed to personalize their cubicles. If Milsand wanted to change its organizational culture, it could begin by ____.

a. creating a new human resources department

b. hiring a cultural ombudsman

c. adhering to affirmative action regulations

d. allowing employees to personalize their cubicles

e. giving everyone raises

ANSWER: d

RATIONALE: This would represent a change in visible artifacts, one aspect of organizational culture.

POINTS: 1

DIFFICULTY: Moderate

REFERENCES: 2-5c

NATIONAL STANDARDS: United States - Level III Application

TOPICS: AACSB Analytic

KEYWORDS: Group Dynamics | HRM

Dofasco

Dofasco, Inc. is a different kind of steel company. Tiny by industry standards, the Canadian-based company has just 8,500

employees and a market cap of $2.3 billion. Dofasco operates with a close eye on the *triple bottom line*. In addition to tracking financial metrics, Dofasco also monitors its impact on society and the environment. As a result, the company has outperformed many of its biggest competitors. Despite a recent slump in the automobile industry, which accounted for 50 percent of its business, Dofasco ran at 100 percent capacity and finished as one of the only integrated steelmakers in all of North America to make a profit one year. Dofasco is also one of the only companies in the steel industry without a union, and its employees like it that way. Employee turnover at the company's main operation is less than one percent annually. Part of its low turnover rate is due to the company's concern about protecting its external environment. As the CEO of the company said, "One way to get happy employees is not to wreck their community in which they live."

101. Refer to Dofasco. Dofasco operates according to the punctuated equilibrium theory. This means the company ____.

a. incorporates both planning and control within its long-term strategy
b. operates with a virtually flat organizational structure
c. has periods of long stability punctuated by short periods of dynamic change
d. motivates its employees by maintaining a salary/wage equilibrium
e. emphasizes working in harmony with its environments

ANSWER: c
RATIONALE: According to the punctuated equilibrium theory, companies go through long, simple periods of stability (equilibrium), followed by short periods of dynamic, fundamental change (revolution), and ending with a return to stability (new equilibrium). Dofasco operates according to this pattern.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-1a
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Group Dynamics | HRM

102. Refer to Dofasco. The slump in the automobile industry would be part of Dofasco's ____ environment.

a. indirect
b. general
c. competitive
d. primary
e. political/legal

ANSWER: b
RATIONALE: A slump in sales is an economic factor that impacts many other industries beyond autos.
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-2a
NATIONAL STANDARDS: United States - Level III Application
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

103. Refer to Dofasco. The fact that Ford purchased less steel from Dofasco during the auto industry's slump would be part of Dofasco's ____ environment because Ford Motor Company is one of its customers.

a. specific
b. competitive
c. economic
d. general
e. technological

ANSWER: a
RATIONALE: This change in customer behavior would represent a change in Dofasco's *specific environment*, as it exerts industry-specific impact on Dofasco.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-3
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

104. Refer to Dofasco. Sydney Steel Corporation is another steel producer in Canada. This company is part of Dofasco's ____ component of its ____ environment.

a. international; specific
b. general; technological
c. indirect; general
d. global; specific
e. competitive; specific

ANSWER: e
RATIONALE: Kyoto is a direct competitor to Dofasco.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-3b
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

105. Refer to Dofasco. What technique would Dofasco most likely have used to keep apprised of environmental changes that could impact how the company does business?

a. a social audit
b. multi-attribute research
c. environmental resolution
d. environmental scanning
e. perceptual mapping

ANSWER: d
RATIONALE: Environmental scanning is the process of searching the environment for important events or issues that might affect an organization.
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-4a
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

106. Refer to Dofasco. The company's commitment to triple the bottom line and to keeping its employees happy is indicative of Dofasco's ____.

a. organizational hierarchy
b. general environment

c. organizational culture
d. environmental munificence
e. specific environment

ANSWER: c
RATIONALE: Organizational culture is the values, beliefs, and attitudes shared by organizational members. Dofasco's commitment is an example of a shared belief/attitude.
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-5
NATIONAL STANDARDS: United States - Level IV Analysis
TOPICS: AACSB Analytic
KEYWORDS: HRM | Strategy

WWYD Waste Management

Waste Management, Inc. is the largest waste handling company in the world. It generates 75% of its profits from 273 landfills, which can hold 4.8 billion tons of trash. Since it only collects 110 million tons a year, it has plenty of landfill capacity for years to come. However, corporations, cities, and households are reducing the waste they generate—and the amount of trash that they pay Waste Management to haul to its landfills. Subaru of America has a zero-landfill plant. Walmart has also recognized this dynamic environment and embraced the same goal. How can Waste Management take advantage of the trend toward zero waste to grow company revenues?
Another significant change for Waste Management is its customers wanting landfill wastes to be sorted for recycling and reuse. However, the high cost of collecting and sorting recyclable materials means that Waste Management loses money when it recycles them. The company needs to meet increased customer expectations while finding a way to earn a profit. Finally, advocacy groups, such as the Sierra Club, regularly protest Waste Management's landfill practices, deeming them irresponsible and harmful to the environment.
How should Waste Management respond to changes in its external environment? The first step is to recognize the trend and the impact it can or will have on your business. Waste Management understands that societal and corporate attitudes have changed. The company cannot survive on picking up and disposing waste, but rather on opportunities arising from the sustainability movement. Waste Management can ensure that billions of dollars of recyclable materials don't end up as worthless landfill by investing in materials recovery facilities that capture valuable materials or energy in cost-efficient ways. However, the high cost of collecting and sorting recyclable materials means that Waste Management loses money. The challenge for Waste Management is to focus on sustainability services and be highly profitable. The answer is using and owning waste conversion technology and purchasing companies with these technologies to make recycling highly profitable.
Finally, groups, such as the Sierra Club, regularly protest Waste Management's landfill practices, but rather than just taking on critics and focus on its business, Waste Management views environmental advocates as an opportunity. Waste Management has taken the unique strategy of working directly with advocacy groups to address criticisms of how it does business. It works with the Wildlife Habitat Council (WHC), a nonprofit organization, to create tailored voluntary wildlife habitat enhancement and conservation education programs. The WHC works with corporations to independently certify that their recovered lands are suitable and sustainable for wildlife. To achieve the WHC's certification with waste-filled landfills is no small task. But, in 2007, Waste Management's goal was to achieve WHC certification at 100 sites, which it did just three years after setting its goal, protecting more than 25,000 acres, including grasslands where two threatened species, the bay checkerspot butterfly and the California red-legged frog, now thrive.

107. Refer to WWYD Waste Management. That Waste Management is, like the private and public customers it serves, "going green" shows that it recognizes its_____environment.

a. stable
b. general
c. dynamic
d. specific
e. internal

ANSWER: c
RATIONALE: Waste Management is taking advantage of the dynamic environment trend toward zero waste.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-1a
NATIONAL STANDARDS: United States - Level VI Evaluation
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

108. Refer to WWYD Waste Management. Waste Management's cooperation with the Wildlife Habitat Council is an example of a company responding to the _____ component of the _____ environment.

a. industry/green
b. sociocultural/specific
c. customer/specific
d. religious/external
e. sociocultural/general

ANSWER: e
RATIONALE: The sociocultural component of the general environment refers to the demographic characteristics, general behavior, attitudes, and beliefs of people in a particular society.
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-2c
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

109. Refer to WWYD Waste Management. The Sierra Club is an example of a(n) _____ in the way it _____ companies such as Waste Management.

a. advocacy regulator/governs
b. stakeholder/sues
c. industry regulator/advocate
d. advocacy group/criticizes
e. regulator/fines

ANSWER: d
RATIONALE: The Sierra Club is an advocacy group that protested Waste Management's landfill practices.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-3e
NATIONAL STANDARDS: United States - Level VI Evaluation
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

110. Refer to WWYD Waste Management. How does a company decision maker confront an environmental trend such as the kind Waste Management sees?

a. by acting on threats
b. by interpreting information

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c. with environmental scanning
d. by acting on opportunities
e. decision makers must make all of the choices in confronting trends

ANSWER: e
RATIONALE: Managers use this three-step process to make sense of external environments.
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-4
NATIONAL STANDARDS: United States - Level I Knowledge
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

111. Refer to WWYD Waste Management. City governments and corporations have a commitment to reducing waste. This is an example of a(n) _____ vis-à-vis Waste Management.
a. environment "going green"
b. opportunity
c. direct threat
d. opportunistic behavior
e. regulatory dependence

ANSWER: c
RATIONALE: Civic and corporate leaders are committed to reducing waste.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-4b
NATIONAL STANDARDS: United States - Level VI Evaluation
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

112. Refer to WWYD Waste Management. The primary problem that Waste Management must focus on in its recycling initiatives is:
a. being more "green" than its competitors
b. being profitable
c. to act on environmental threats
d. to act on environmental opportunities
e. a lack of environmental scanning

ANSWER: b
RATIONALE: The company needs to meet increased customer expectations while finding a way to earn a profit.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-3a
NATIONAL STANDARDS: United States - Level VI Evaluation
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

113. Refer to WWYD Waste Management. When the Wildlife Habitat Council (WHC) encourages companies such as Waste Management to restore wildlife habitats for an endangered butterfly, what general environment component is the

company addressing?

a. economy
b. legal
c. ecological
d. sociocultural
e. environmental

ANSWER: d
RATIONALE: The WHC is an advocacy group that works with corporations to independently certify that their recovered lands are suitable and sustainable for wildlife.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-2c
NATIONAL STANDARDS: United States - Level VI Evaluation
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

114. Briefly differentiate between the external and internal environments that companies face and explain why these environments are important.

ANSWER: The external and internal environments that companies face refer to two different sets of forces that affect those organizations. External environments are the forces and events outside a company that have the potential to influence or affect it. The internal environment, on the other hand, consists of the trends and events within an organization that affect the management, employees, and organizational culture. One set of forces exists outside of the organization, while the other set of forces exists within the organization. In order to be successful, companies must continually adapt to changes in both sets of forces.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-1
2-5
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

115. Briefly define and explain the relationship between environmental change, complexity, uncertainty, and resource scarcity.

ANSWER: There are three basic characteristics of changing external environments. These are: (1) *environmental change* (the rate at which a company's general and specific environments change); (2) *environmental complexity* (the number of external factors in the environment that affect organizations); and (3) *resource scarcity* (the degree to which an organization's external environment has an abundance or scarcity of critical organizational resources). Environmental change, complexity, and resources (i.e., munificence) affect environmental *uncertainty*, which is how well managers can understand or predict the external changes and trends affecting their businesses.
POINTS: 1
DIFFICULTY: Difficult
REFERENCES: 2-1
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence | Strategy

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116. Compare and contrast the general environment with the specific environment faced by a company.

ANSWER: Both the general and specific environments faced by a company would be considered part of the external environment facing the firm, in contrast to the firm's internal environment. It is here that the similarity ends, however. The *general environment* consists of the economy and the technological, socio-cultural, and political/legal trends that indirectly affect all organizations. Changes in any sector of the general environment eventually affect most organizations. By contrast, each organization has a *specific environment* unique to that firm's industry. The specific environment directly affects the way a firm conducts day-to-day business. The specific environment includes customers, competitors, suppliers, industry regulation, and advocacy groups.

POINTS: 1

DIFFICULTY: Moderate

REFERENCES: 2-2
2-3

NATIONAL STANDARDS: United States - Level II Comprehension

TOPICS: AACSB Analytic

KEYWORDS: Environmental Influence | Strategy

117. Briefly identify the two predictors of future economic activity that are available to managers for decision making. Specify which one manager's typically prefer.

ANSWER: The two types of economic predictors available for managerial use in decision making are *economic statistics* and *business confidence indices*. Unfortunately, the economic statistics are notoriously poor predictors of future economic activity. Because of this, managers often prefer to use business confidence indices, which are measures of how confident actual managers are about future business growth. Managers often prefer business confidence indices to economic statistics because they know that the level of confidence reported by real managers affects their business decisions. In other words, it's reasonable to expect managers to make decisions today that are in line with their expectations concerning the economy's future.

POINTS: 1

DIFFICULTY: Easy

REFERENCES: 2-2a

NATIONAL STANDARDS: United States - Level II Comprehension

TOPICS: AACSB Analytic

KEYWORDS: Environmental Influence

118. Identify and provide examples of the two important ways in which socio-cultural changes and trends influence organizations.

ANSWER: Socio-cultural changes and trends influence organizations in two important ways. First, changing demographic characteristics such as the number of people with particular skills or the growth or decline in particular population segments (single or married; old or young; men or women; Caucasians, Hispanics, Blacks, or Asians; etc.) affects how companies run their businesses. For example, because of changes in the percentage of working mothers, many more companies now offer child care as a benefit to attract and retain scarce, talented workers of both genders. Second, socio-cultural changes in behavior, attitudes, and beliefs also affect the demand for a business's products and services. One consequence of the large number of working women is that companies such as Avon and Tupperware now get more of their sales from rush-hour and lunchtime parties in workplaces than from parties in people's living rooms.

POINTS: 1

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DIFFICULTY: Difficult
REFERENCES: 2-2c
NATIONAL STANDARDS: United States - Level II Comprehension
United States - Level IV Analysis
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

119. Identify the major concern facing businesses from the perspective of the political/legal component of the general environment. What is the most appropriate action businesses can take to manage their legal responsibilities?
ANSWER: The political/legal component of the general environment includes the legislation, regulation, and court decisions that govern and regulate business behavior. Throughout the last decade, new legislation and regulation have placed additional responsibilities on companies. Unfortunately, many managers are unaware of these new responsibilities. The best way to manage legal responsibilities is to educate managers and employees about laws and regulations and potential lawsuits that could affect a business.
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-2d
NATIONAL STANDARDS: United States - Level IV Analysis
United States - Level V Synthesis
TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

120. Briefly differentiate the two basic approaches used for monitoring customers.
ANSWER: There are two basic strategies for monitoring customers: reactive and proactive. *Reactive customer monitoring* involves identifying and addressing customer trends and problems after they occur. For example, a company engaged in reactive customer monitoring might listen closely to customer complaints. *Proactive customer monitoring*, on the other hand, involves trying to anticipate events, trends, and problems before they occur (or at least before customers complain).
POINTS: 1
DIFFICULTY: Easy
REFERENCES: 2-3a
NATIONAL STANDARDS: United States - Level II Comprehension
TOPICS: AACSB Analytic
KEYWORDS: Creation of Value | Environmental Influence | Strategy

121. Define advocacy groups. List the three approaches to influencing businesses that advocacy groups are likely to use. Specify which one of these three is most likely to impact company sales and profits.
ANSWER: *Advocacy groups* are groups of concerned citizens who band together to try to influence the business practices of specific industries, businesses, and professions. Advocacy groups cannot force organizations to change their practices. However, they can use three techniques to try to influence companies: (1) public communications, (2) media advocacy, and (3) product boycotts. Product boycotts are most likely to significantly reduce company sales and profits because their impact on the company is direct.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-3e
NATIONAL STANDARDS: United States - Level II Comprehension

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TOPICS: AACSB Analytic
KEYWORDS: Environmental Influence

122. List and briefly define the four characteristics of successful organizational cultures.
ANSWER: The four characteristics of successful organizational cultures are: (1) *adaptability*, which is the ability to notice and respond to changes in the organization's environment; (2) *involvement*, which refers to the promotion of employee participation in decision making, often through enhanced autonomy, accountability, and responsibility; (3) *a clear vision*, which refers to a company's purpose or reason for existing; and finally (4) *consistency*, which refers to a culture in which the company actively defines and teaches organizational values, beliefs, and attitudes.
POINTS: 1
DIFFICULTY: Moderate
REFERENCES: 2-5b
NATIONAL STANDARDS: United States - Level IV Analysis
TOPICS: AACSB Analytic
KEYWORDS: Group Dynamics | HRM

123. Discuss how difficult is it to change an organizational culture. Then identify three approaches that can be used to accomplish that goal.
ANSWER: Changing organizational culture is a very difficult process. The three ways of changing organizational culture are (1) *behavioral addition* (having managers and employees perform a new behavior), (2) *behavioral substitution* (having managers and employees perform a new behavior in place of another behavior), and (3) *changing visible artifacts* (where artifacts are the visible signs of an organization's culture, such as dress codes). Given the difficulty of changing corporate culture, there is no guarantee that these methods will be successful. However, they are some of the best tools that managers have for changing culture because they send the clear message to managers and employees that the accepted way of doing things has changed.
POINTS: 1
DIFFICULTY: Difficult
REFERENCES: 2-5c
NATIONAL STANDARDS: United States - Level IV Analysis
TOPICS: AACSB Analytic
KEYWORDS: Group Dynamics | HRM

124. Describe environmental change and its relationship to punctuated equilibrium theory. Give an example of an industry whose environments are characterized by the punctuated equilibrium model in recent years.
ANSWER: *Environmental change* is the rate at which a company's general and specific environments change. In *stable environments*, the rate of environmental change is slow. In *dynamic environments*, the rate of environmental change is fast. While it might seem logical that a company would either be in a stable external environment *or* a dynamic external environment, recent research suggests that companies often experience both stable and dynamic external environments. According to *punctuated equilibrium theory*, companies go through long, simple periods of stability (equilibrium), followed by short, complex periods of dynamic, fundamental change (revolutionary periods), finishing with a return to stability (new equilibrium).
One example of punctuated equilibrium is the U.S. airline industry. Three times in the last 30 years the U.S. airline industry has experienced revolutionary periods. The first, from mid-1979 to mid-1982, occurred immediately after airline deregulation in 1978. Prior to deregulation, the federal government controlled where airlines could fly, how much could be

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charged, when they could fly, and the number of flights they could have on a particular route. After deregulation, these choices were left to the airlines. The large financial losses during this period clearly indicate that the airlines had trouble adjusting to the intense competition that occurred after deregulation. By mid-1982, however, profits returned to the industry and held steady until mid-1989.

Then, after experiencing record growth and profits, U.S. airlines lost billions of dollars between 1989 and 1993 as the industry went through dramatic changes. Key expenses like jet fuel and employee salaries, which had held steady for years, suddenly increased. Furthermore, revenues suddenly dropped because of dramatic changes in the airlines' customer base. Business travelers who typically pay full-priced fares comprised more than half of all passengers during the 1980s. But the customer base shifted to leisure travelers who, in contrast to business travelers, typically want the cheapest flights they can get. With expenses suddenly up and revenues suddenly down, the airlines responded to these changes in their business environment by laying off 5-10 percent of all workers, canceling orders for new planes, and getting rid of routes that were not profitable. Starting in 1993, these changes helped profits return even stronger than before, and the industry again began to stabilize, if not flourish, just as punctuated equilibrium theory predicts.

The third revolutionary period for the U.S. airline industry began with the terrorist attacks of September 11, 2001, when planes were used as missiles to bring down the World Trade Center towers and damage the Pentagon. The immediate effect was a 20 percent drop in scheduled flights, a 40 percent drop in passengers, and losses so large that the U.S. government approved a $15 billion bailout to keep the airlines in business. Heightened airport security also affected airports, the airlines themselves, and airline customers. Five years after the 9/11 attacks, United Airlines, U.S. Airways, Delta, and American Airlines had reduced staffing by 169,000 full-time jobs to cut costs after losing a combined $42 billion. Due to their financially weaker position, the airlines have now restructured operations to take advantage of the combined effect of increased passenger travel, a sharply reduced cost structure, and a 23 percent reduction in the fleet to move their businesses back to profitability. As a result, the airlines may be moving back to a more stable period of equilibrium.

Depending upon how events have developed at the time that the student answers this question, different responses will be appropriate. Better answers will outline specific changes in federal law, regulatory policy, airport security and airline travel that resulted from these attacks and comment on the extent to which the airline industry appears to have returned to a stable period of equilibrium or still remains in revolutionary turmoil. Better answers will also point out that this represents the third period of revolutionary change for the airline industry in the past 30 years. Meaningful discussion of unique factors (beyond the limited text presentation) as an ongoing example of punctuated equilibrium theory would constitute a very original and high level answer.

Specifics in the preceding example were drawn directly from the text, thus constituting a correct answer. A higher level answer could also be developed by providing a correct example from another industry not mentioned in the text, thus demonstrating a higher level of understanding of the material.

POINTS:	1
DIFFICULTY:	Moderate
REFERENCES:	2-1a
NATIONAL STANDARDS:	United States - Level I Knowledge United States - Level II Comprehension
TOPICS:	AACSB Reflective Thinking AACSB Analytic
KEYWORDS:	Environmental Influence | Strategy

125. Identify and discuss the implications of changes in the political/legal component of the general environment facing organizations over the past decade. Give one example of a relevant recent change. What is the best way for companies to manage their legal responsibilities?

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ANSWER: The political/legal component of the general environment includes the legislation, regulation, and court decisions that govern and regulate business behavior. Throughout the last decade, new legislation and regulations have placed additional responsibilities on companies. Unfortunately, many managers are unaware of these new responsibilities. Examples cited in the text include the sexual harassment implications of the 1991 Civil Rights Act, the implications of the Family Leave Act for employee leave, the implications of the 1990 Clean Air Act for commuting to and from work, as well as the potential for product liability lawsuits and risks associated with the traditional managerial decisions of recruiting, hiring, and firing employees. In this last category, it is increasingly common for businesses and managers to be sued for wrongful termination, negligent hiring and supervision, defamation, invasion of privacy, emotional distress, fraud, and misrepresentation during employee recruitment. From a managerial perspective, the best medicine against legal risk is prevention. The best way to manage legal responsibilities is to educate managers and employees about laws and regulations and potential lawsuits that could affect a business.

POINTS: 1

DIFFICULTY: Moderate

REFERENCES: 2-2d

NATIONAL STANDARDS: United States - Level II Comprehension

TOPICS: AACSB Reflective Thinking
AACSB Analytic

KEYWORDS: Environmental Influence | Strategy

126. Define advocacy groups. Explain the basic techniques that advocacy groups use to achieve their goals. Provide one example of how advocacy techniques are used.

ANSWER: *Advocacy groups* are groups of concerned citizens who band together to try to influence the business practices of specific industries, businesses, and professions. The members of a group generally share the same point of view on a particular issue. For example, environmental advocacy groups might try to get manufacturers to reduce smokestack pollution emissions. Unlike the industry regulation component of the specific environment, advocacy groups cannot force organizations to change their practices. However, they can use a number of techniques to try to influence companies: public communications, media advocacy, and product boycotts. The *public communications* approach relies on voluntary participation by the news media and the advertising industry to get an advocacy group's message out. In contrast to the public communications approach, media advocacy is a much more aggressive form of advocacy. A *media advocacy* approach typically involves framing issues as public issues (i.e., affecting everyone); exposing questionable, exploitative, or unethical practices; and forcing media coverage by buying media time or creating controversy that is likely to attract extensive news coverage. A *product boycott* is a tactic in which an advocacy group actively tries to convince consumers to not purchase a company's product or service. Boycotts can significantly reduce company sales and profits.

The text uses PETA as an example. Students may have other equally good examples.

POINTS: 1

DIFFICULTY: Moderate

REFERENCES: 2-3e

NATIONAL STANDARDS: United States - Level IV Analysis

TOPICS: AACSB Communication
AACSB Analytic

KEYWORDS: Environmental Influence | Ethical Responsibilities | Strategy

127. Identify and explain the three-step process that managers use to make sense of changes in their external environments. Explain how environmental scanning contributes to organizational performance.

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ANSWER: Because external environments can be dynamic, confusing, and complex, managers use a three-step process to make sense of the changes in their external environments: (1) environmental scanning, (2) interpreting environmental factors, and (3) acting on threats and opportunities. *Environmental scanning* is searching the environment for important events or issues that might affect an organization. Managers scan their environments based on their organizational strategies, their need for up-to-date information, and their need to reduce uncertainty. After scanning, managers *determine what environmental events and issues mean to the organization*. Typically, managers either view environmental events and issues as threats or opportunities. *When managers identify environmental events as threats*, they take steps to protect the company from harm. *When managers identify environmental events as opportunities*, they formulate alternatives for taking advantage of them to improve company performance.
Environmental scanning contributes to organizational performance by helping managers detect environmental changes and problems before they become organizational crises. Companies whose CEOs do more environmental scanning have higher profits. CEOs in better-performing firms scan their firm's environments more frequently and scan more key factors in their environments in more depth and detail than do CEOs in poorer performing firms.

POINTS: 1

DIFFICULTY: Difficult

REFERENCES: 2-4

NATIONAL STANDARDS: United States - Level III Application
United States - Level IV Analysis

TOPICS: AACSB Reflective Thinking
AACSB Analytic

KEYWORDS: Environmental Influence | Leadership Principles | Strategy

128. List and describe the four characteristics of successful organizational cultures. Explain what is meant by success in this context. Identify an organization that you are aware of that seems to have a successful organizational culture. Characterize that organization on each of these four dimensions. Can an organization still have a successful culture if it is weak on one of these dimensions?

ANSWER: Preliminary research shows that organizational culture is related to organizational success. The four characteristics of successful organizational cultures are (1) *adaptability*, or the ability to notice and respond to changes in the organization's environment; (2) *involvement*, or the promotion of employee participation in decision making, often through enhanced autonomy, accountability, and responsibility; (3) a *clear vision*, or a company's purpose or reason for existing; and (4) *consistency*, which occurs when a company actively defines and teaches organizational values, beliefs, and attitudes. The research shows that cultures based on these four characteristics can help companies achieve success in the form of higher sales growth, return on assets, profits, quality, and employee satisfaction.
Student examples may vary widely, but should systematically comment on each of the four dimensions. Since an organization could still be considered successful even if it is weak on one dimension, students should take this into account in their individual assessments.

POINTS: 1

DIFFICULTY: Difficult

REFERENCES: 2-5b

NATIONAL STANDARDS: United States - Level III Application
United States - Level IV Analysis

TOPICS: AACSB Analytic

KEYWORDS: Group Dynamics | HRM | Leadership Principles

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